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BEFORE THE ARIZONA CORPORATION COMMISSION

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2009 FEB 17 P 2:41

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
TONTU VILLAGE WATER COMPANY, INC.
RATE APPLICATION FOR WATER COMPANIES
WITH ANNUAL GROSS OPERATING
REVENUES (INCLUDING REQUESTED RATE
RELIEF) OF LESS THAN \$250,000.

DOCKET NO. W-01580A-07-0707

IN THE MATTER OF THE APPLICATION OF
TONTU VILLAGE WATER COMPANY, INC.
FOR APPROVAL OF A FINANCING
APPLICATION.

DOCKET NO. W-01580A-08-0209

NOTICE OF FILING

The Utilities Division of the Arizona Corporation Commission ("Staff") files its status on the above-referenced docket as requested by the Procedural Order dated February 2, 2009.

Attached is the recommendation of Staff as well as an Engineering update.

RESPECTFULLY SUBMITTED this 17th day of February, 2009.

Robin R. Mitchell
Attorney, Legal Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007
(602) 542-3402

Arizona Corporation Commission
DOCKETED

FEB 17 2009

DOCKETED BY

1 Original and fifteen (15) copies
2 of the foregoing were filed this
3 17th day of February, 2009 with:

4 Docket Control
5 Arizona Corporation Commission
6 1200 West Washington Street
7 Phoenix, Arizona 85008

8 Copy of the foregoing mailed this
9 17th day of February, 2009 to:

10 Ronald D. Standage
11 TONTO VILLAGE WATER CO., INC.
12 P.O. Box 9116
13 Mesa, Arizona 85214

14 John G. Gliege
15 GLIEGE LAW OFFICES, PLLC
16 P.O. box 1388
17 Flagstaff, Arizona 86002-1388

18 Harry D. Jones, District Manager
19 TONTO VILLAGE DOMESTIC WATER
20 IMPROVEMENT DISTRICT
21 HC7, Box 363
22 Payson, Arizona 85541

23 James Widger
24 HC7, Box 192-P
25 Payson, Arizona 85541

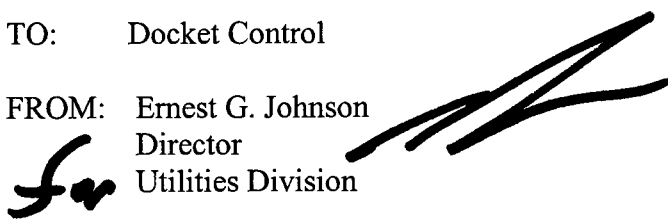
26 Jerry Lewinson
27 HC7, Box 180-K
28 Payson, Arizona 85541

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MEMORANDUM

TO: Docket Control

FROM: Ernest G. Johnson
Director
Utilities Division



DATE: February 17, 2009

RE: STATUS REPORT FOR TONTO VILLAGE WATER COMPANY FOR A
PERMANENT RATE INCREASE APPLICATION AND FINANCING
APPLICATION (DOCKET NO. W-01580A-07-0707 AND DOCKET NO.
W-01580A-08-0209).

On December 27, 2007, Tonto Village Water Company ("Company") filed a rate case application with the Arizona Corporation Commission requesting a permanent rate increase. On April 22, 2008, the Company filed an application for financing authority.

On March 26, 2008, Staff filed a Letter of Sufficiency, pursuant to A.A.C. R14-2-103(B) (7), and classified the Company as a Class D water utility. The rate case application and the financing application were consolidated by a Procedural Order dated August 14, 2008.

On June 5, 2008, Staff filed a Motion to Suspend the time clock because of constant requests by the Company for additional time to respond to Staff's data requests. Given the repeated delays in responses by the Company, Staff sought an indefinite extension of the applicable time clock rules. A Procedural Order issued June 6, 2008, granted Staff's request and the applicable time clock rules were suspended indefinitely pending a subsequent ruling.

On February 2, 2009, the Hearing Division Administrative Law Judge issued a Procedural Order which ordered Staff to file a status report by February 16, 2009, regarding the above-captioned dockets, including a recommendation as to whether the pending Rate Case and Finance Case applications should be dismissed for failure to prosecute the applications.

On February 3, 2009, the Company filed with Docket Control a Notice of Withdrawal of the financing application. The Company stated that the Company did not need additional financing to complete the improvements as predicted at the time of filing the initial application in this docket. Staff concurs with the Company.

Tonto Village Water Company
Docket Nos.: W-01580-07-0707 and W-01580-08-0209
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Staff, also, recommends that the Company withdraw the rate case application Docket No. W-01580-07-0707. The rate case application test year is 2006. This is now an old and stale test year.

EGJ:CRM:kdh

Originator: Charles R. Myhlhousen

Attachment: Original and fifteen copies

MEMORANDUM

DATE February 10, 2009

TO: Robin Mitchell, Esq.
Staff Attorney

FROM: Dorothy Hains, P. E. *DH*
Utilities Engineer

THRU: Del Smith, Supervisor *DS*
Engineering Section

RE: **Status Report for Tonto Village Water Company, Inc.
Rate Application & Financing Application (Docket No. W-01580A-07-0707 &
W-01303A-08-0209)**

Background

On February 2, 2009, the Administrative Law Judge ("ALJ") assigned to this matter issued a Procedure Order. In this Order, the ALJ requested Staff to file a status report of by February 16, 2009.

On February 3, 2009, Tonto Village Water Company, Inc. ("Tonto Village") filed a Notice of Withdrawal of its financing application; according to the filing Tonto Village no longer needs the financing to complete the well installation.

Engineering Status

On January 20, 2009, Tonto Village informed Staff that it had completed the drilling of a well on December 1, 2008 that had a production rate of 75 gallons per minute. Initial water testing samples from this new well had been collected and sent to a certified laboratory for analysis on December 11, 2008. However, Tonto Village still does not have its test results back from the laboratory. Tonto Village expects that within two to three weeks that it should have Arizona Department of Environment Quality ("ADEQ") approval of the new source. ADEQ regulates the water quality of the drinking water well and design of this new drinking water well.

Staff has not received any updates from Tonto Village regarding the new well since January 20, 2009.

Conclusion

After ADEQ issues a Certificate of Approval of Construction of this new well, Staff believes this new well will produce adequate production to serve Tonto Village's existing customer base and

projected growth for five years. The new well is expected to provide water that meets water quality standards required by the Safe Drinking Water Act.